2005 Annual Report

Commercial Solutions Inc

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Commercial Solutions Inc.
2005 Annual Report

Chief Financial Officer: Eric Sauze, CA CFA
Design & Layout: CSI Creative Services

Administration:
4203 - 95 Street, Edmonton AB T6E 5R6
Toll Free: 800 268 4803

Commercial Solutions Inc

2005 Annual Report

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Chairman's Message

Fellow Shareholders:

Fiscal 2005 represented yet another year of top-line growth and increased earnings. During this period we achieved a 25.2 percent, and 163.4 percent year-over-year growth rate in the revenue and net earnings line respectively.

During the year, the management team remained focused on our strategy of growing earnings organically, while looking for accretive acquisitions, which would diversify our product offering and geographic reach. I am pleased to report that we achieved the fiscal 2005 financial results by following the strategy set out last year. We successfully completed the acquisition and integration of Impact Oilfield Supply Inc. while taking full advantage of the growing oil and gas markets specifically in Western Canada to fuel our organic revenue growth. Furthermore, we completed a restructuring across all our branch locations servicing the forestry and agriculture industry in anticipation of the turnaround in the sector in order to be perfectly setup to capitalize on the opportunity. As a result of this initiative and the turnaround in the forestry and agriculture sector in 2005, we expect the operating margins associated with this business segment to be far superior to historical levels.

Looking forward to fiscal 2006 and beyond, with significant progress in our integrations efforts behind us, and a strong energy market as well as a turning forestry and agriculture industry in front of us, management will remain focused on three factors that we see driving the Company's future growth and profitability:

Internal Growth

We plan to increase revenues organically by offering our customers a diverse suite of industry leading products in the growing markets we serve. We also plan to expand our addressable market by using cross-selling and up-selling opportunities following the integration of each acquisition.

Operating Profit

Management will work towards continuing to deliver stronger operating profits by focusing on selling higher margin products while maintaining the Company's selling, general and administrative cost structure.

Acquisitions

We anticipate to make selective, strategic acquisitions that are accretive to earnings with sales growth potential and focused on broadening our product offering and geographic reach.

By continuing to follow this strategy, I believe that Commercial Solutions will continue to be well positioned for long-term, profitable growth.

In closing, on behalf of our board and management team, I would like to thank all our employees, customers, business partners and shareholders for their support and commitment in fiscal 2005.

Jim Barker
Chairman, President and CEO

INCOME STATEMENT, for the years ended September 30th

		F2005	F2004	F2003
Revenue		$ 97,829,311	$ 78,112,869	$ 69,394,018
Gross margin $		27,411,173	21,997,726	19,292,615
Gross margin %		28.0%	28.2%	27.8%
Operating expenses		19,863,648	17,952,263	16,617,553
EBITDA	*	7,547,525	4,045,463	2,675,062
Interest		1,261,593	1,207,837	970,034
Amortization		545,849	422,459	453,217
Loss on disposal of property and equipment		20,924	26,522	-
Earnings before tax		5,719,159	2,388,645	1,251,811
Income taxes		1,919,792	945,975	690,626
Net earnings		$ 3,799,367	$ 1,442,670	$ 561,185
Earnings per share				
	Basic	$ 0.33	$ 0.16	$ 0.07
	Diluted	$ 0.30	$ 0.14	$ 0.06

* Represents earnings before interest, taxes, depreciation and amortization

BALANCE SHEET, as at September 30th

	F2005	F2004	F2003
Current assets	$ 35,412,177	$ 26,019,873	$ 25,457,047
Property and equipment	2,810,970	2,391,432	2,058,935
Other assets	13,744,920	9,063,097	9,076,963
TOTAL ASSETS	51,968,067	37,474,402	36,592,945
Current liabilities	18,455,722	19,158,115	20,146,239
Current portion of long term liabilities	2,326,339	1,776,347	1,836,086
Long term liabilities	7,797,595	9,025,740	8,551,088
TOTAL LIABILITIES	28,579,656	29,960,202	30,533,413
Share capital	16,789,358	4,926,903	4,914,905
Retained earnings & contributed surplus	6,599,053	2,587,297	1,144,627
TOTAL SHAREHOLDERS' EQUITY	23,388,411	7,514,200	6,059,532
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	$ 51,968,067	$ 37,474,402	$ 36,592,945

FINANCIAL CONDITION AND RATIOS

	F2005	F2004	F2003
Return on average total assets	8.5%	3.9%	1.8%
Return on average equity	24.6%	21.3%	11.5%
Operating expenses as a % of revenue	20.3%	23.0%	23.9%
EBITDA as a % of sales	7.7%	5.2%	3.9%

SHAREHOLDERS AND EMPLOYEES

	F2005	F2004	F2003
Weighted average shares outstanding	11,501,484	8,835,932	7,796,368
Number of employees as at September 30	266	237	270

Management Discussion and Analysis

General

The following Management's Discussion and Analysis is as of January 26, 2006 and is provided to assist readers in understanding the financial performance of Commercial Solutions Inc. ("Commercial" or the "Company") during the periods presented and significant trends that may impact future performance of the Company. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto on pages 21 to 45. In particular, note 4, related to the Impact Oilfield Supply Inc. acquisition, will help to understand factors impacting comparability of the financial information.

The financial data presented in this Management's Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and the Company's reporting currency is the Canadian dollar. Commercial is a reporting issuer in Canada in the provinces of British Columbia, Alberta, Manitoba and Ontario. The Company trades on the Toronto Stock Exchange under the symbol CSA. Additional regulatory information relating to Commercial, including the Company's Annual Information Form, can be found at the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at www.sedar.com.

Forward Looking Statement

This Management's Discussion and Analysis contains forward-looking statements that involve assumptions and estimates that may not be realized and other risks and uncertainties. The inclusion of this information should not be regarded as a representation of the Company or any other person that the anticipated results will be achieved and investors are cautioned not to place undue reliance on such information. These forward-looking statements are based on current expectations. The results or events predicted in these statements may differ materially from actual results or events.

Overview of the Business

Commercial Solutions Head office located in Edmonton, Alberta

Headquartered in Edmonton, Alberta, Commercial is one of Canada's leading independent industrial distributors with 24 Services Centres and as at September 30, 2005 had 266 employees located across Canada. Commercial offers more than 160,000 items critical to maintenance repair operations ("MRO") and original equipment manufacturing ("OEM") customers. The Company represents more than

450 leading manufacturers and serves over 10,000 customer accounts within a broad cross-section of industries, including oil and gas, forestry, food processing, chemical manufacturing, mining and utilities, agriculture and construction.

The Company conducts its operations through two separate business segments. The Industrial Supplies segment incorporates five divisions. The Oilfield Parts and Supplies segment incorporates two divisions. The differentiation between the two segments is due to the differing product offerings. Either segment may service a similar customer base.

Industrial Supplies Segment

The Industrial Supplies segment provides approximately 140,000 products encompassing bearing, power transmission, industrial safety, agricultural, survey and janitorial products. In addition, the segment offers technical support, customized inventory controls, materials management services, and customer training, and provides electronic ordering to its larger national accounts through a sophisticated online catalogue application.

Oilfield Parts and Supplies Segment

The Oilfield Parts and Supplies segment provides approximately 20,000 products, but specializes in hard to find custom products. Principal products distributed are oil well pump liners, valves, fittings, industrial hand tools and safety supplies.

Mission and Growth Strategy

Commercial will continue to focus on organic growth by expanding the number of its strategic partnership accounts and product lines. Management expects acquisitions to also play a significant role in the Company's growth. Commercial has successfully identified, rationalized, and integrated 10 acquisitions over the past 15 years and going forward management expects to focus on larger targets with annual sales of $10 - $25 million. Acquisitions are intended to diversify and strengthen the product offering and expand geographical presence.

FINANCIAL RESULTS – ANNUAL

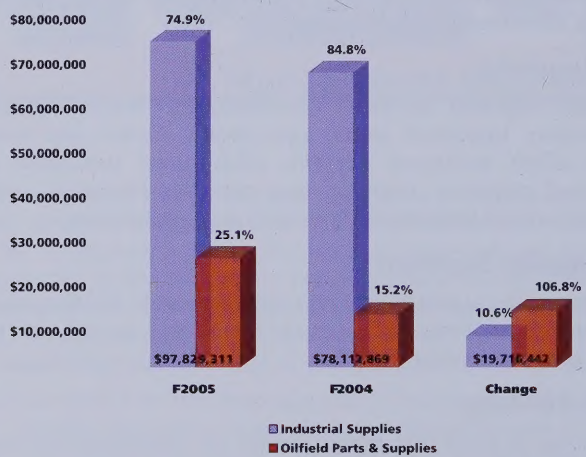
In fiscal 2005, Commercial was well positioned to benefit from the strong energy sector and to capture synergies from previous restructurings. Forty-seven percent of Commercial's revenues were derived from the energy sector, with 15 branches located in Alberta, a province enjoying significant growth due to record crude oil and natural gas pricing. On May 18, 2005, Commercial acquired 100 percent of the shares of Impact Oilfield Supply Inc. ("Impact"). Similar to the Company's Oilfield Parts and Supplies segment, Impact supplies hardware products mainly to Alberta based oil rigs.

The fiscal 2004 restructuring changes performed in the Company's British Columbia and Saskatchewan offices yielded positive results, as the forestry and agriculture industry experienced a slight improvement in fiscal 2005. The fiscal 2004 comparative figures of Commercial omit the operating results from the Impact group.

The above changes contributed to the Company's increased profitability in fiscal 2005, generating net income of $3,799,367 or $0.33 per share compared to net income of $1,442,670 or $0.16 per share in fiscal 2004, representing a 163.4 percent year-over-year increase in net income.

Sales

Fiscal 2005 consolidated sales increased by 25.2 percent, represented by 14.4 percent of organic growth and 10.9 percent of acquisition growth. The Impact acquisition (Oilfield Parts and Supplies segment) was effective May 18, 2005; therefore the fiscal 2005 year-end results include 4.5 months of their operating results.



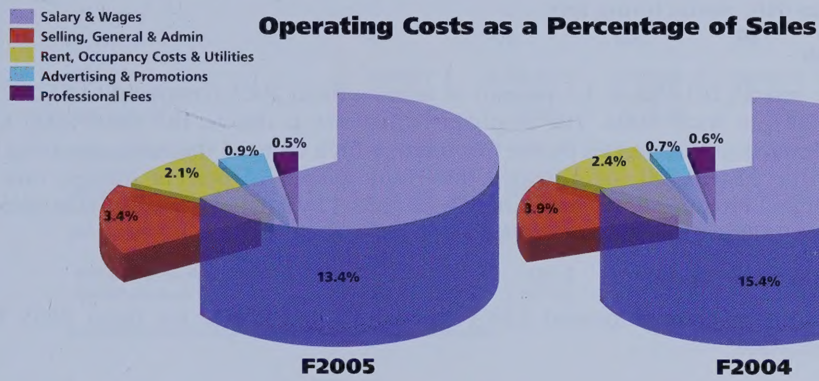
Gross Profit

Consolidated gross profit percentage remained relatively the same with 28.0 percent experienced in fiscal 2005 versus 28.2 percent in fiscal 2004. The slight decrease was due to the Impact acquisition, whose operations have a lower gross profit margin of 21.8 percent in comparison to a consolidated gross profit of 28.6 percent for Commercial without the Impact group.

The gross profit percentage for the Industrial Supplies segment stayed relatively the same with 26.6 percent gross profit in fiscal 2005 versus 27.0 percent in fiscal 2004. Without the addition of Impact, the Oilfield Parts and Supplies segment gross profit percentage increased from 32.9 percent in fiscal 2004 to 36.8 percent in fiscal 2005. The increase reflects the growth in the oil and gas industries, with subsequent increase in product demand.

The foreign exchange gains are included in the gross profit percentage figures cited, as the foreign currency fluctuations arise from the purchases of products from mostly U.S. vendors.

Operating expenses



The dollar value of operating expenses increased largely due to the Impact acquisition, but as a percentage of sales, it decreased from 23.0 percent in fiscal 2004 to 20.3 percent in fiscal 2005. The following is an analysis of the major operating expense categories:

Salaries and benefits were $13,125,060 (13.4 percent of sales) in fiscal 2005 compared to $12,027,251 (15.4 percent of sales) in fiscal 2004. The 9.1 percent dollar value increase can be attributable to the following factors:

- the Impact acquisition providing an additional 20 employees.
- a general inflationary increase in salary wages, particularly in Alberta where the Company maintains 15 locations.
- new field sales personnel were hired to penetrate non-traditional bearing, power transmission and safety sales locations.

In spite of these factors, as a percentage of sales, salaries and benefits decreased, mostly attributed to the Impact's relatively low percentage of salary and wages to sales of 5.0 percent, as well as, restructurings performed in prior years, particularly in Commercial's British Columbia and Saskatchewan locations.

Selling, general and administrative expenses were $3,290,778 (3.4 percent of sales) in fiscal 2005 compared to $3,031,220 (3.9 percent of sales) in fiscal 2004. This 8.6 percent dollar value increase was generally due to the Impact acquisition, but also incorporated the costs from the additional field salespeople. As a percentage of sales, this expense category remained relatively the same.

Rent, occupancy costs and utilities were $2,020,719 (2.1 percent of sales) in fiscal 2005 compared to $1,857,257 (2.4 percent of sales) in fiscal 2004. The 8.8 percent dollar increase is attributable to the addition of Impact's single location, a 15,000 square foot facility in Edmonton, Alberta. Further, the Company added a Regina, Saskatchewan office in July 2005; otherwise, the number of facilities remained constant.

Advertising and promotions were $918,939 (0.9 percent of sales) in fiscal 2005 compared to $550,579 (0.7 percent of sales) in fiscal 2004. The Impact acquisition contributed towards the 67.0 percent dollar value rise of this expense, but the Industrial Supplies segment also assisted towards the increase with the production of two separate catalogues for two key product lines.

Professional and consulting fees remained relatively the same with fiscal 2005 accumulating $508,152 (0.5 percent of sales) compared to $485,956 (0.6 percent of sales) in fiscal 2004. The prior year included fees towards reaching a retirement settlement agreement with a former employee

and current shareholder of the Company, as well as defending two wrongful dismissal suits against the Company. For the current year, costs were incurred for the graduation onto the Toronto Stock Exchange, as well as debt restructuring fees.

Interest Expense

Interest expense was $1,261,593 or 1.3 percent of sales in fiscal 2005 compared to $1,207,837 or 1.5 percent of sales in fiscal 2004. The negligible difference is due to the fiscal 2005 $10.9 million in equity financings undertaken by the Company, which reduced the bank operating line. The retirement of the $1,000,000 subordinated debenture with a 12 percent interest rate (see "Subordinated Debt and Preferred Share Retirement") was offset by a new $2,000,000 subordinated debenture carrying a 15.0 percent interest rate issued in June 2005.

Income before Income Taxes

Income before income taxes improved 139.4 percent to $5,719,159 for fiscal 2005 from $2,388,645 for fiscal 2004.

Income Taxes

The Company's fiscal 2005 effective tax rate of 33.6 percent is a decrease from the 39.6 percent rate of fiscal 2004. Due to available tax loss carryforwards, the actual cash tax paid from fiscal 2005 operating results is $1,116,977. See Note 17 to the Consolidated Financial Statements for further details on tax expense versus taxes paid.

Net Earnings and Earnings per Share

Net earnings for fiscal 2005 improved by 163.4 percent to $3,799,367 or $0.30 per share (diluted) versus $1,442,670 or $0.14 per share (diluted) for fiscal 2004.

FINANCIAL RESULTS – SUMMARY OF QUARTERLY DATA

	Q1	Q2	Q3	Q4	F2005
Sales	$ 20,958,577	$ 22,599,686	$ 25,379,869	$ 28,891,179	$ 97,829,311
Gross profit ($)	5,902,183	6,501,459	7,059,529	7,948,001	27,411,173
Gross profit (%)	28.2%	28.8%	27.8%	27.5%	28.0%
Operating expenses	4,517,353	4,714,948	5,182,171	5,449,176	19,863,648
EBITDA *	1,384,830	1,786,601	1,877,358	2,498,825	7,547,525
Net earnings	$ 613,519	$ 873,333	$ 926,071	$ 1,386,444	$ 3,799,367
Basic earnings per share	$ 0.07	$ 0.09	$ 0.08	$ 0.09	$ 0.33
Diluted earnings per share	$ 0.06	$ 0.08	$ 0.07	$ 0.09	$ 0.30

* Represents earnings before interest, taxes, depreciation and amortization

	Q1	Q2	Q3	Q4	F2004
Sales	$ 18,854,931	$ 20,364,766	$ 19,550,851	$ 19,342,321	$ 78,112,869
Gross profit ($)	5,260,207	5,842,435	5,518,853	5,376,231	21,997,726
Gross profit (%)	27.9%	28.7%	28.2%	27.8%	28.2%
Operating expenses	4,366,322	4,602,613	4,374,588	4,608,740	17,952,263
EBITDA *	893,885	1,239,822	1,144,265	767,491	4,045,463
Net earnings	315,208	535,990	462,442	129,030	1,442,670
Basic earnings per share	$ 0.04	$ 0.06	$ 0.05	$ 0.01	$ 0.16
Diluted earnings per share	$ 0.03	$ 0.05	$ 0.04	$ 0.01	$ 0.14

* Represents earnings before interest, taxes, depreciation and amortization

Seasonal Nature of the Business

Although the Company has significant exposure to the energy industry (47.0 percent of sales), sales have not displayed material seasonality. Typically, the oil and gas industries slow down in April and May due to spring thaw, but given the growth in this sector, sales over these two months have continued due to increased drilling rig manufacturing. Should this trend reverse itself, Commercial's third quarter would be the weakest, with the remaining three quarters recording similar levels of sales.

Fourth quarter results

	Fourth Quarter		Difference	
	F2005	F2004	$	%
Sales	$ 28,891,179	$ 19,342,321	$ 9,548,858	49.4%
Gross profit ($)	7,948,001	5,376,231	2,571,770	47.8%
Gross profit (%)	27.5%	27.8%		
Operating expenses	5,449,176	4,608,740	840,436	18.2%
EBITDA	2,498,825	767,491	1,731,334	225.6%
Net earnings	1,386,444	129,030	1,257,414	974.5%
Basic earnings per share	$ 0.09	$ 0.01	$ 0.08	
Diluted earnings per share	$ 0.09	$ 0.01	$ 0.08	

For the fiscal 2005 fourth quarter, the Company enjoyed a full quarter of Impact's operating results. Therefore, when comparing the fourth quarter of fiscal 2005 versus 2004, all operating figures increased.

Quarter-over-quarter, the gross profit percentage remained the same, although it was lower than the previous three quarters. The main reason was the full quarter of Impact sales, which traditionally have a lower gross profit percentage of 21.8 percent.

Although as a dollar value, operating expenses increased by 18.2 percent, as a percentage of sales, operating expenses decreased quarter-over-quarter from 23.8 percent in fiscal 2004 to 18.9 percent in fiscal 2005. This reflects the dilutive nature of the lower operating expense ratio of Impact. These factors translated into an EBITDA increase of 225.5 percent and a quarter-over-quarter increase in EBITDA margin to 8.5 percent in fiscal 2005 versus 4.0 percent in fiscal 2004.

Without the Impact operating results in the fourth quarter of fiscal 2005, the Company still incurred significant organic sales growth of 18.8 percent. Gross profit remained relatively the same with 27.5 percent in fiscal 2005 from 27.8 percent in fiscal 2004. As a percentage of sales, operating expenses decreased from 23.8 percent in fiscal 2004 to 21.8 percent in fiscal 2005. These factors increased the EBITDA margin from 4.0 percent in fiscal 2004 to 8.6 percent in fiscal 2005.

FINANCIAL CONDITION AND LIQUIDITY

Cash From Operations

Commercial generated cash of $1,587,209 from operating activities in fiscal 2005 compared to $1,115,147 in fiscal 2004. This improvement in operating cashflow reflects the increase in year-over-year net earnings. In addition, although Commercial has accrued for corporate income tax (fiscal 2005 - $1,919,792; fiscal 2004 - $945,975), given available tax loss carry forwards, a portion of its income tax expense is a non-cash add back to net income.

Due to the 14.4 percent organic sales growth experienced in fiscal 2005, a significant investment was required in accounts receivable and inventory (year-over-year increases of $4,061,268 and $1,596,316 respectively). The increases in these accounts was further magnified due to the Impact acquisition, which also experienced strong organic growth.

Working Capital

The Company continues to fund its operating and capital requirements with cash generated from operations and borrowings under its secured, revolving demand facility provided by a schedule 1 Canadian chartered bank. The Company's primary capital needs have been to finance the purchase of inventory, fund accounts receivable, debt service payments, and the capital expenditures.

WORKING CAPITAL RATIOS

	F2005	F2004	F2003
Working capital ratio	1.70	1.24	1.16
Days sales in receivables	54.1	56.2	60.0
Inventory turns	5.1	4.2	4.4
Days purchases in payables	53.0	59.3	57.3

The Company's net working capital position at September 30, 2005 increased to $14,630,116 (working capital ratio of 1.70) from $5,085,411 at September 30, 2004 (working capital ratio of 1.24). The increase is primarily due to the net proceeds from the $10.9 million equity financings performed in fiscal 2005.

The improvement in inventory turnover is mostly attributed to the Impact acquisition, which has traditionally experienced inventory turnover of nine times due to the greater use of consignment inventory. Excluding the Impact figures for fiscal 2005, the Company's inventory turnover ratio would have been 4.34.

Intangibles

The intangible assets arose on the Company's acquisition of Impact, with the majority of the value due to customer relationships, which are being amortized over six years. Management will be conducting an annual assessment of intangible assets. Each fair value test of intangibles may incorporate estimates such as normalized earnings, future earnings, price earnings multiples, future cash flows, discount rates, and terminal values. Any impairment of intangible assets would reduce net earnings.

Goodwill

The $454,970 addition to goodwill in fiscal 2005 reflects additional payments made to a previous acquisition for achieving certain minimum earnings targets in fiscal 2005. The additional $3,991,334 increase resulted from the Impact acquisition.

The goodwill is tested for impairment at least annually by comparing its fair value to its book value. The evaluation for impairment of goodwill is determined by assessing recoverability based on undiscounted future earnings and cash flows of the related business. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods. Any permanent impairment in value of goodwill is charged to earnings. For fiscal 2005, goodwill was tested for impairment by an independent third party. The fair value was found to exceed the carrying value, therefore no impairment was incurred.

Future Income Tax

The Company has significant tax losses that were recognized in fiscal 2003. For fiscal 2005, 58.2 percent of Commercial's tax accrual on the income statement went towards reducing the previously recognized future income tax asset on the balance sheet.

Property and Equipment

Commercial increased its investment in property and equipment over prior years due to the following:

- Leasehold improvements: shelving was acquired for the new 40,000 square foot Edmonton-based distribution centre.
- Computer: several upgrades were made to the hardware and software of the management information systems to accommodate efficiently at a greater volume of transactions and enhance security.
- Vehicles: several delivery vehicles were replaced in the Oilfield Parts and Supplies segment.

New Edmonton Distribution Centre

Long Term Debt

In order to accommodate the working capital requirements of Impact and to provide greater leverage opportunities for future acquisitions, the Company increased its credit facility with the Bank of Montreal from $15,000,000 to $19,000,000 of which $4,443,374 was drawn as at September 30, 2005.

For the Impact acquisition, in June 2005 a $2,000,000 subordinated debenture was issued to Roynat Capital Inc. The term is five years with a 15 percent interest rate. In addition, the Impact vendors were issued a $900,000, 6 percent note payable to be repaid in equal payments over three years from the May 18, 2005 acquisition date. The note's September 30, 2005 carrying value of $809,112 was determined using a discount rate of 15.0 percent, a rate more suitable for subordinated debt.

Subordinated Debt and Preferred Share Retirement

During 2005, Commercial successfully completed a transaction with FCC Ventures, a division of Farm Credit Canada ("FCC") to redeem a debenture and preferred share investment. FCC had requested an exit from its investment due to Commercial's continued expansion in the oil and gas sector, which exceeded FCC's agriculture and forest industry investment criteria.

The Company completed a transaction with FCC as follows:

- 450,000 preferred shares and 700,000 share purchase warrants ($2.00 exercise price, expiring on October 1, 2007) held by FCC were redeemed for $1,000,000.
- FCC converted 50,000 preferred shares into 50,000 common shares.
- FCC's $1,000,000, 12% subordinated debenture was repaid upon payment of $1,000,000 to FCC.

The fair value of the retired warrants was $100,000 and has been recorded as a reduction in retained earnings. Commercial funded the transaction from its existing bank operating facility.

Fiscal 2005 Equity Financings

Two separate equity financings were completed in fiscal 2005. In November 2004, the Company completed a public offering raising gross proceeds of $2,502,000, with net costs totalling $409,990. In June 2005, the Company's private placement closed raising gross proceeds of $8,397,500, with net costs totalling $653,686.

The total financings of fiscal 2005 raised net proceeds of $9,835,824. The Company will use the net proceeds to pursue potential future growth opportunities, working capital and general corporate purposes, which may include capital expenditures, and repayment of debt.

Related Party Transactions

Related party transactions are all in the normal course of operations and were conducted at fair market value. Disclosure of related party transactions is included in Note 18 to the consolidated financial statements.

OUTLOOK

Management remains confident in revenue growth and future earnings power of the Company in fiscal 2006 and beyond. Particularly, we expect continued sales growth due to the strength in the oil and gas sectors, which accounted for 47.0 percent of the Company's sales in fiscal 2005. The oil and gas sectors in Western Canada are set for continued growth with high crude oil and natural gas prices and enhanced investments in the northern Alberta oil sands projects. The strong oil and gas industries correlates with increased rig building and operations, sectors serviced by Commercial's oilfield parts and supplies segments. Commercial's strong fiscal 2005 organic growth rate of 14.4 percent reflects Western Canadian economic factors, a region where the Company has 22 of its 24 locations.

The forestry and agriculture markets have stabilized after several years of decline. Commercial has adjusted its operating costs across its branches impacted by these markets. Increased activity in these sectors in fiscal 2006 would directly impact operating earnings.

Gross profit margins for fiscal 2006 are expected to be comparable to fiscal 2005. As a percentage of sales, operating expenses are expected to continue to decrease, following the trend of prior years. Management's target EBITDA margin for fiscal 2006 is in the 7.0 percent - 8.0 percent range.

Management continues to seek growth opportunities through acquisitions to widen Commercial's geographic presence and to diversify its portfolio of products. Although there is a limited number of major industry players, the Canadian market for distribution suppliers continues to be fragmented. Many of these organizations are facing succession issues relating to an aging demographic. Assuming a continued strong economic environment, it is anticipated that fiscal 2006 would bring at least one, perhaps two acquisitions, which would be immediately accretive at the net earnings line.

COMMON SHARES AND CONVERTIBLE SECURITIES

Commercial has authorized an unlimited number of common shares with no par value. As at January 26, 2006 the Company had 14,461,116 common shares outstanding.

The Board of Directors may grant options to purchase up to 1,327,468 common shares. As of January 26, 2006, options to purchase 1,038,434 common shares were outstanding at an average exercise price of $2.15 per common share. Agent's options totaling 281,250 from equity financings performed in 2005 are outstanding at an average exercise price of $2.67. Warrants totaling 1,250,555 with an average exercise price of $2.07 maybe exercised into common shares. On October 1, 2007, 895,000 of the warrants expire and the remaining 355,555 expire on September 11, 2008. Finally, 483,760 voting, preferred shares are convertible into common shares of the Company at the option of the holder. See Notes 11 and 12 to the consolidated financial statements for further details on the three sets of convertible securities listed above.

RISK FACTORS

In the normal course of business, the Company's operations continue to be influenced by a number of internal and external factors, and are exposed to risks and uncertainties that can affect its business, financial condition and operating results. All businesses are subject to risk and the board and management of the Company always take prudent measures to mitigate any risks by which it may be affected.

Dependence on Market Economic Conditions

The demand for the products distributed by the Company can vary in accordance with general economic cycles. In addition, the industry sectors that are served by the Company, including the construction, oil & gas, forestry, agricultural and mining sectors, are cyclical in nature. The strategy of the Company is to mitigate these risks by operating in various regions of the country, serving diverse industry sectors that have offsetting cycles and maintaining tight controls over its operating expenses.

Supply-Side Risks

The Company distributes industrial products manufactured or supplied by a number of major suppliers. As is customary in the industrial products distribution industry, the Company does not have long-term contracts with any of its major suppliers. Although the Company believes that it has access to similar products from competing suppliers, any disruption in the Company's sources of supply, particularly of the most commonly sold items or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect upon the Company's results of operations and financial condition. Also, supply shortages occur at times as a result of unanticipated demand, production difficulties or delivery delays. In such cases, suppliers often allocate products among distributors. Future supply shortages may occur from time to time and may have a short-term material adverse effect on the Company's results of operations and financial conditions.

Customer Risk

Although the Company distributes industrial products to more than 10,000 customers, the Company's two largest customers comprised approximately 14.8 percent of the Company's total sales for the year ended September 30, 2005. Furthermore, as is customary in the industrial

products distribution industry, the Company does not have long-term contracts with any of its major customers. As a result, the loss of any of the Company's major customers could have a material adverse effect upon the Company's results of operations and financial condition.

Credit Risk

The Company extends credit facilities to its customers which are generally unsecured. Although the Company has a system of credit management in place, there is a risk that some of the Company's customers may not be able to meet their obligations when they become due. The loss of a large receivable would have a substantial adverse effect on the Company's profitability.

Disclosure Controls

Management has established strong disclosure controls and procedures. Written documentation of these controls will be completed in fiscal 2006.

MEASURES NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following measure included in this report does not have a standardized meaning under Canadian generally accepted accounting principles and, therefore, is unlikely to be comparable to similar measures presented by other companies:

EBITDA (Earnings before interest, taxes, depreciation and amortization), while not a concept recognized by generally accepted accounting principles, is an indirect measure for operating cash flow, a significant indicator of the success of any business.

Auditor's Report

To the Shareholders of
Commercial Solutions Inc.

We have audited the consolidated balance sheets of Commercial Solutions Inc. as at September 30, 2005 and 2004 and the consolidated statements of earnings and retained earnings and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada
January 20, 2006

(Signed) *"Grant Thornton, LLP"*
Chartered Accountants

Consolidated Statements of Earnings

Year Ended September 30	2005	2004
Revenue	$97,829,311	$ 78,112,869
Cost of goods sold	70,418,138	56,115,143
Gross margin (28.0%, 2004 - 28.2%)	27,411,173	21,997,726
Expenses		
Payroll	13,125,060	12,027,251
Rent and occupancy	1,357,440	1,161,491
Automotive and travel	1,311,879	1,159,692
Advertising and promotion	918,939	550,579
Telephone, datalines and postage	678,223	665,883
Professional fees	508,152	485,956
Office and stationery	408,863	400,883
Repairs and maintenance	365,669	382,424
Bank charges	334,947	213,883
Utilities	297,610	313,342
Insurance	234,390	238,840
Computer processing	192,232	238,876
Public company compliance	86,004	105,462
Bad debts	44,240	7,701
	19,863,648	17,952,263
	7,547,525	4,045,463
Interest	346,186	366,397
Interest on long term debt	915,407	841,440
Amortization of property and equipment	429,418	422,459
Amortization of deferred costs	8,584	-
Amortization of intangibles	107,847	-
Loss on disposal of property and equipment	20,924	26,522
	1,828,366	1,656,818
Earnings before income taxes	5,719,159	2,388,645
Income taxes (Note 17)	1,919,792	945,975
Net earnings	$3,799,367	$ 1,442,670

Earnings per share (Note 15)

	2005	2004
Basic	$ 0.33	$ 0.16
Diluted	$ 0.30	$ 0.14

See accompanying notes to the consolidated financial statements.

Year Ended September 30	**2005**	2004
Retained earnings, beginning of year	**$ 2,587,297**	$ 1,144,627
Change in accounting policy (Note 3)	**(736,485)**	-
Retirement of warrants (Note 11)	**(100,000)**	-
Net earnings	**3,799,367**	1,442,670
Retained earnings, end of year	**$ 5,550,179**	$ 2,587,297

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

September 30	2005	2004
Assets		
Current		
Accounts receivable	**$ 18,338,534**	$ 11,679,326
Inventory	**16,527,643**	13,882,436
Prepaids	**546,000**	458,111
	35,412,177	26,019,873
Deferred costs	**110,590**	127,589
Future income tax (Note 17)	**813,736**	1,791,371
Property and equipment (Note 5)	**2,085,741**	1,669,835
Property held for sale (Note 5)	**725,229**	721,597
Intangible assets (Note 6)	**1,230,153**	-
Goodwill (Note 7)	**11,590,441**	7,144,137
	$ 51,968,067	$ 37,474,402
Liabilities		
Current		
Bank indebtedness (Note 8)	**$ 4,443,374**	$ 10,051,295
Accounts payable and accrued liabilities	**13,157,390**	8,641,790
Income taxes payable	**834,958**	465,030
Current portion of deferred tenant inducement	**20,000**	-
Current portion of long term debt (Note 9)	**1,144,111**	868,348
Current portion of notes payable (Note 10)	**1,182,228**	907,999
	20,782,061	20,934,462
Deferred tenant inducement	**178,333**	-
Long term debt (Note 9)	**5,657,283**	5,690,645
Notes payable (Note 10)	**993,801**	1,366,917
Preferred shares (Note 11)	**968,178**	1,968,178
	28,579,656	29,960,202
Shareholders' Equity		
Common shares (Note 12)	**16,789,358**	4,926,903
Contributed surplus (Note 13)	**1,048,874**	-
Retained earnings	**5,550,179**	2,587,297
	23,388,411	7,514,200
	$ 51,968,067	$ 37,474,402

Commitments and contingencies (Note 19)

On behalf of the Board

Jim Barker, Director

Don Caron, Director

See accompanying notes to the consolidated financial statements.

Year Ended September 30	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	**$ 3,799,367**	$ 1,442,670
Amortization	**545,849**	422,459
Tenant inducement	**(1,667)**	-
Loss on disposal of property and equipment	**20,924**	26,522
Stock based compensation	**141,442**	-
Future income tax expense	**802,815**	441,730
	5,308,730	2,333,381
Change in non-cash operating working capital (Note 16)	**(3,721,521)**	(1,218,234)
	1,587,209	1,115,147
Financing		
Related party advances, net	**-**	7,184
Banker's acceptances	**(4,500,000)**	1,000,000
Proceeds from long term debt	**3,000,000**	2,500,000
Repayments of long term debt	**(2,757,599)**	(652,516)
Proceeds from notes payable	**809,112**	-
Repayments of notes payable	**(907,999)**	(1,432,571)
Preferred share redemption	**(900,000)**	-
Warrant cancellation	**(100,000)**	-
Issuances of common shares, net	**9,882,709**	11,998
Deferred tenant inducement	**200,000**	-
	4,726,223	1,434,095
Investing		
Purchase of property and equipment	**(815,405)**	(798,462)
Proceeds on disposal of property and equipment	**112,863**	16,984
Decrease (increase) in deferred costs	**8,415**	(127,589)
Acquisitions (Note 16)	**(4,511,384)**	(307,459)
	(5,205,511)	(1,216,526)
Increase in cash and cash equivalents	**1,107,921**	1,332,716
Cash and cash equivalents (Note 8)		
Beginning of year	**(2,051,295)**	(3,384,011)
End of year	**$ (943,374)**	$ (2,051,295)

Supplemental cash flow information (Note 16)

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Commercial Solutions Inc. is a public company traded on the Toronto Stock Exchange under the symbol CSA. The Company is a national distributor of bearings, power transmission, safety, survey supplies, industrial supplies, and oilfield parts and supplies.

2. Summary of significant accounting policies

General

The Company's accounting policies and its standards of financial disclosure are in accordance with Canadian generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants (CICA).

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Commercial bearing service (1966) ltd.
- Master Distribution Services Inc.
- Impact Oilfield Supplies Inc.
- Cando Oilfield Supplies & Rentals Ltd.
- Dual Force Contractors Inc.

All significant intercompany balances and transactions have been eliminated.

Use of estimates

In preparing the Company's consolidated financial statements, in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. The most significant estimates included in these financial statements are the valuations of accounts receivable, inventory and future tax assets, carrying value of goodwill, intangibles and accrued liabilities. Actual results could differ from these estimates.

Revenue recognition

Revenue from the sale of goods is recognized when title passes to customers, which is generally at the time the goods are shipped and when reasonable assurance exists regarding the measurement and collection of the consideration given.

Provisions for estimated product returns are based on historical experience. No warranty provision has been provided for in the financial statements as the Company does not offer a warranty on its products but rather relies on the warranties provided by the Company's suppliers.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Banker's acceptances and long term bank borrowings are considered to be financing activities.

2. Summary of significant accounting policies (cont'd)

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the average cost method. Management periodically reviews the inventory on a product by product basis in assessing provisions based upon current estimates of future events including economic conditions and growth prospects in the marketplace.

Intangible assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their useful lives.

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Customer lists and relationships	Straight-line – 6 years
Other intangible assets	Straight-line – 1 year

Goodwill

Goodwill represents the excess of the purchase price of an acquisition over the fair value of the underlying net assets acquired at the date of acquisition. Goodwill arising from acquisitions is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. Impairment is tested by comparing the carrying amount of the reporting unit, including goodwill, with its fair value. Fair value is determined using the discounted, estimated future operating cash flows of the reporting unit. When the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered to be impaired. When the carrying value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

Stock based compensation

The Company has a stock based compensation plan, which is described in Note 12. The Company uses the fair value method of accounting for stock options. The fair value of option grants is calculated using the Black-Scholes option pricing model and recognized as compensation expense over the vesting period of those grants. A corresponding adjustment is recorded through contributed surplus. On the exercise of stock options, the consideration paid by the employee and the related amounts in contributed surplus are credited to common share capital.

2. Summary of significant accounting policies (cont'd)

Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed conversion of preferred shares and exercise of outstanding warrants and stock options, if dilutive. For warrants and stock options, the number of additional common shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the balance sheet date. All revenue and expenses denominated in foreign currencies are translated at average rates in effect during the year. Gains or losses on translation are included in earnings.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Rates and bases of amortization applied to write-off the cost less estimated salvage value of property and equipment over their estimated lives are as follows:

Buildings	4 and 5%, declining balance
Leasehold improvements	20%, straight-line
Furniture and fixtures	20%, declining balance
Fencing	10%, declining balance
Equipment under capital lease	20%, declining balance
Automotive equipment	30%, declining balance
Computer equipment	30%, declining balance

Full amortization is recorded in the period of acquisition and none in the period of disposal.

Effective October 1, 2004, the Company implemented Section 3063, "Impairment of Long-Lived Assets," a standard issued by the CICA which addresses the recognition, measurement and disclosure of impairment of long-lived assets held for use. Long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying value exceeds the sum of undiscounted cash flows expected from their use and eventual disposal. An impairment loss is measured as the amount by which the long-lived assets' carrying value exceeds the fair value. Accordingly, the Company reviews long-lived assets for impairment annually. This standard was applied prospectively during 2005.

Income taxes

Income taxes have been provided using the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

2. Summary of significant accounting policies (cont'd)

Deferred costs

Deferred costs associated with the acquisition of new debt instruments are deferred and amortized on a straight line basis over the life of the debt. Other deferred costs are deferred and amortized over the related assets' useful lives.

Deferred tenant inducement

Deferred tenant inducement represents a cash benefit received from a landlord pursuant to a lease agreement. The tenant inducement is amortized against rent expense over the term of the lease.

3. Change in accounting policy

Effective October 1, 2004, the Company adopted the new provisions of CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock Based Payments" which now requires companies to adopt the fair value based method for all stock-based payments granted on or after January 1, 2002. The Company is now required to expense stock options issued to employees, directors and non-employees. Previously, the Company was only required to disclose the pro forma effect of any stock options issued to employees and directors in the notes to the financial statements. As permitted by the standard, this change has been applied retroactively without restatement of prior periods' financial statements.

As a result, the Company adjusted its opening retained earnings by $736,485 in fiscal 2005 to reflect the cumulative effect of the change on prior periods. The offsetting charge was to contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to share capital.

4. Acquisition of Impact Oilfield Supply Inc.

On May 18, 2005, the Company acquired all of the outstanding shares of Impact Oilfield Supply Inc. ("Impact"), an Alberta-based oilfield parts and supply distribution company. The total purchase price was $6,003,989, including 782,609 common shares at a fair value of $1,811,935. The fair value of the common shares is based on the weighted average trading price from May 5, 2005 to May 18, 2005, with a discount factor to consider sale restrictions. The components of the total purchase price were as follows:

Purchase price:

Cash	$ 3,900,000
Common shares	1,811,935
Note payable to vendors (Note 10)	763,348
Other costs of acquisition	100,528
Less: payment of shareholders' loans	(571,822)
	$ 6,003,989

4. Acquisition of Impact Oilfield Supply Inc. (cont'd)

Other costs of acquisition include professional and regulatory fees related to the acquisition. Annual interest of 6% is applicable on the vendor takeback loan. The acquisition of Impact was accounted for using the purchase method and these consolidated financial statements reflect the results of operation of Impact from the date of acquisition. The purchase price has been allocated to the net identifiable assets acquired based on their estimated fair value as follows:

Net assets acquired

Current assets (including cash of $707,462)	$ 4,369,326
Property and equipment	167,338
Intangible assets	1,338,000
Goodwill	4,027,592
Future tax liability	(449,836)
Current liabilities	(2,876,609)
Shareholder loans	(571,822)
	$ 6,003,989

Purchase price allocated to intangible assets include customer relationships ($1,273,000), and other miscellaneous items ($65,000) which will be amortized straight-line over their estimated useful lives of 6 years and 1 year respectively.

The acquisition also incorporates, over the next three years, certain purchase price adjustments dependent upon the performance of Impact.

5. Property and equipment

September 30, 2005	Cost	Accumulated Amortization	Net Book Value
Land	$ 34,500	$ -	$ 34,500
Buildings	300,101	103,108	196,993
Leasehold improvements	403,550	210,975	192,575
Furniture and fixtures	2,281,919	1,496,362	785,557
Fencing	1,832	1,682	150
Equipment under capital lease	9,880	7,000	2,880
Automotive equipment	957,864	564,700	393,164
Computer equipment	2,392,770	1,912,848	479,922
	$ 6,382,416	$ 4,296,675	$ 2,085,741

5. Property and equipment (cont'd)

September 30, 2004	Cost	Accumulated Amortization	Net Book Value
Land	$ 54,501	$ -	$ 54,501
Buildings	388,405	164,183	224,222
Leasehold improvements	280,276	146,970	133,306
Furniture and fixtures	1,939,863	1,347,515	592,348
Fencing	1,833	1,665	168
Equipment under capital lease	36,380	20,579	15,801
Automotive equipment	661,956	526,338	135,618
Computer equipment	2,187,136	1,673,265	513,871
	$ 5,550,350	$ 3,880,515	$ 1,669,835

Property held for sale

On September 20, 2004, the Company entered into a letter of intent to sell its land and building in Prince Albert, Saskatchewan. Therefore, the Company has classified this property with a book value of $725,229 (2004 - $721,597) as property held for sale as at September 30, 2005 and 2004. In management's opinion, if the sale is completed, it will result in an immaterial gain, after selling costs.

6. Intangible assets

September 30, 2005	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 1,273,000	$ 85,764	$ 1,187,236
Other	65,000	22,083	42,917
	$ 1,338,000	$ 107,847	$ 1,230,153

7. Goodwill

	2005	2004
Balance, beginning of year	**$ 7,144,137**	$ 6,836,678
Acquisition of Impact (Note 4)	**4,027,592**	-
Purchase price adjustments	**418,712**	307,459
Balance, end of year	**$11,590,441**	$ 7,144,137

As part of a previous acquisition, the Company has a contingent price payment liability based on the pre-tax net earnings of the acquired company until April 30, 2006. The adjustment reflected above represents the purchase price adjustment for the current year.

The Company engaged an independent third party to perform the annual goodwill impairment test and determined that there was no impairment to the carrying value of goodwill at September 30, 2005.

8. Bank indebtedness

The Company has credit facilities of $19,000,000 (2004 - $15,000,000) Canadian or its US equivalent. As at September 30, 2005, bank indebtedness was $4,443,374 (2004 - $10,051,295) and was due on demand. Advances under the credit facilities are as follows:

	2005	2004
Bank overdrafts	**$ 943,374**	$ 2,051,295
Banker's acceptance	**3,500,000**	8,000,000
	$ 4,443,374	$ 10,051,295

Bank overdrafts bear interest on a sliding scale ranging from prime to prime plus 0.75%. This scale is based upon the Company's senior funded debt to EBITDA ratio. The banker's acceptance as at September 30, 2005 bears interest at 4.26% (2004 – 3.68%) and matures on October 12, 2005 (2004 – October 18, 2004). The credit facility is secured by a general security agreement covering all present and after acquired property, postponements of claims from related parties, and an assignment of life insurance.

The agreements governing the operating loan facility and long term debt contain certain financial covenants regarding (i) margin requirements between loans and certain receivables and inventory balances, (ii) working capital, (iii) debt servicing, (iv) senior funded debt to EBITDA, and (v) total funded debt to EBITDA. As at September 30, 2005, the Company was operating within its covenants.

9. Long term debt

	2005	2004
Subordinate debenture, secured by a general security agreement, subordinated to the senior lender, bearing interest at a rate of 15% per annum repayable in monthly installments of $15,000, plus interest. The monthly principal payments will increase by $5,000 every twelve payments to a maximum of $35,000 per month with a lump sum payment of $500,000 due upon maturity on July 15, 2010.	**$ 1,955,000**	$ -
Subordinate debenture, secured by a general security agreement, subordinated to the senior lender, bearing interest at a rate of 15% per annum repayable in monthly installments of $41,500, plus interest, maturing March 15, 2009.	**1,753,000**	2,251,000
Subordinate debentures, secured by a general security agreement, subordinated to the senior lender, bearing interest at a rate of 12% per annum. Principal is due and payable in one lump sum payment on September 26, 2007.	**1,000,000**	2,000,000

9. Long term debt (cont'd)

	2005	2004
Term loan, secured by a general security agreement, assignment of property and equipment, bearing interest at a floating base rate plus 3.5% which translates into an effective rate of 6.84%, repayable in monthly installments of $20,750, plus interest with a final payment of $24,750 plus interest, maturing June 15, 2009.	**937,750**	-
Subordinate debenture, secured by a general security agreement, subordinated to the senior lender, bearing interest at a rate of 6% per annum. Principal is due and payable in one lump sum payment on September 26, 2007.	**751,456**	751,456
Subordinate debenture, secured by a general security agreement, subordinated to the senior lender, bearing interest at the lender's base rate plus 3% plus a fixed financing fee of $3,250 per month which translates to an effective rate of 14% at year end (2004 – 13.31%), repayable in monthly installments of $16,650, plus interest, maturing September 15, 2007.	**400,600**	600,400
Capital lease, secured by certain equipment bearing interest at 12.25%, (2004 - 8.6% to 12.25%) repayable in monthly installments of $219 (2004 - $862), maturing March 2007 (2004 - May 2005 and March 2007).	**3,588**	18,137
Term loan, secured by a general security agreement, assignment of property and equipment, bearing interest at an effective rate of 6.25%, repayable in monthly installments of $13,000, plus interest, maturing September 15, 2010. This term loan was repaid on June 22, 2005.	-	938,000
	6,801,394	6,558,993
Less current portion:	**1,144,111**	868,348
	$ 5,657,283	$ 5,690,645

Minimum principal repayments expected in each of the next five years based on the terms above are as follows:

2006	$ 1,144,111
2007	2,955,533
2008	1,062,000
2009	824,750
2010	815,000

10. Notes payable

	2005	2004
Due to certain shareholders and officers, unsecured and bearing interest at an effective rate of 15.0% per annum, repayable in payments of $300,000 due on May 18, 2006, May 18, 2007 and May 18, 2008.	**$ 809,112**	$ -
Unsecured and bearing interest at 6.0% per annum, repayable in payments of $238,333 due on September 11, 2006 and September 11, 2007 and $238,334 due on September 11, 2008.	**715,000**	953,333
Due to certain shareholders and officers, unsecured and bearing interest at 6.0% per annum, repayable on September 11, 2006.	**456,667**	913,333
Due to certain shareholders and officers, unsecured and non-interest bearing, repayable in 11 monthly payments of $17,750, last payment due August 2006.	**195,250**	408,250
	2,176,029	2,274,916
Less current portion:	**1,182,228**	907,999
	$ 993,801	$ 1,366,917

The notes payable are related to an acquisition in prior years, as well as the acquisition of Impact (see Note 4). The 6.0% interest bearing note payable due May 18, 2006, May 18, 2007 and May 18, 2008 is in the amount of $900,000. The note's carrying value of $809,112 is determined using a discount rate of 15.0%.

The minimum principal repayments expected in each of the next three years based on the terms above are as follows:

2006	$ 1,182,228
2007	507,661
2008	486,140

11. Preferred shares

Authorized:

Unlimited number of preferred shares

Issued:	**2005**		2004	
	Number of shares	**Amount**	Number of shares	Amount
Opening balance	**983,760**	**$ 1,968,178**	983,760	$ 1,968,178
Shares converted to common shares	**(50,000)**	**(100,000)**	-	-
Shares redeemed	**(450,000)**	**(900,000)**	-	-
Ending balance	**483,760**	**$ 968,178**	983,760	$ 1,968,178

During 2005, the Company completed a transaction with FCC Ventures, a division of Farm Credit Canada ("FCC") as follows:

- 450,000 preferred shares and 700,000 share purchase warrants ($2.00 exercise price, expiring on October 1, 2007) held by FCC were redeemed for $1,000,000.
- FCC converted 50,000 preferred shares into 50,000 common shares.
- FCC's $1,000,000, 12% subordinated debenture was repaid upon payment of $1,000,000 to FCC.

The fair value of the retired warrants was $100,000 and has been recorded as a reduction in retained earnings. The Company funded the transaction from its existing bank operating facility.

The preferred shares are voting and convertible into common shares of the Company at the option of the holder. Effective October 1, 2008, holders of the preferred shares may require the Company to retract some or all of the preferred shares through the payment of a retraction price which is based on a formula.

The formula is based on a multiple of the greater of 5 times earnings before deduction of interest expense, income taxes, depreciation, and amortization expense as set out in the most recent audited annual consolidated financial statements or the average of the three most recent audited annual consolidated financial statements on a pro rata basis.

The preferred shares may be redeemed by the Company prior to October 1, 2007 upon the payment of the following redemption price per share:

Up to October 1, 2005	$3.24
Up to October 1, 2006	$3.80
Up to October 1, 2007	$4.41

For each preferred share redeemed, the holder has the option to have the Company also redeem one warrant. The purchase price of the warrant will be the difference between $2.00 and the above redemption price.

12. Share capital

Common shares authorized:

Unlimited number of voting common shares

Common shares issued:

	Number of Shares	Amount
Balance, October 1, 2003	8,833,405	$ 4,914,905
Shares issued upon exercise of stock options	5,999	11,998
Balance, September 30, 2004	8,839,404	4,926,903
Shares issued in public offering	1,251,000	2,092,010
Shares converted from preferred shares	50,000	100,000
Shares issued upon the acquisition of Impact (Note 4)	782,609	1,811,935
Shares issued in private placements	3,359,000	7,743,814
Options exercised (by employees, directors and agents)	42,400	114,696
Balance, September 30, 2005	14,324,413	$ 16,789,358

a) Share offerings

On November 24, 2004, a public offering closed raising gross proceeds of $2,502,000 through the sale of 1,251,000 common shares at $2.00 per share. Share issuance costs totaled $409,990. As part of the offering, the Company granted an option to the placement agents to acquire 125,100 common shares at $2.00 per share, expiring May 26, 2006.

On May 12, 2005, a private placement was closed raising gross proceeds of $7,500,000 through the sale of 3,000,000 common shares at $2.50 per share. Share issuance costs totaled $575,311. As part of the offering, the Company granted an option to the placement agent to acquire 240,000 common shares at $2.70 per share, expiring November 13, 2006.

On June 10, 2005, a private placement was closed raising gross proceeds of $897,500 through the sale of 359,000 common shares at $2.50 per share. Share issuance costs totaled $78,375. As part of the offering, the Company granted an option to the placement agent to acquire 28,720 common shares at $2.70 per share, expiring December 11, 2006.

b) Share purchase warrants

As part of the terms of the Company issuing the subordinated debentures maturing September 26, 2007 (see Note 9), the Company has issued 895,000 share purchase warrants to the lender. Each share purchase warrant entitles the lenders to purchase one common share at a price of $2.00 per common share, expiring October 1, 2007.

As part of an acquisition in prior years, 355,555 share purchase warrants were issued to the former shareholders of the acquiree. Each share purchase warrant entitles the holder to purchase one common share at a price of $2.25 per common share, expiring September 11, 2008.

12. Share capital (cont'd)

c) Restricted shares

As part of the shares that formed the consideration on acquisitions, resale restrictions exist on the following shares:

- 444,444 shares with resale restrictions expiring September 10, 2006
- 195,652 shares with resale restrictions expiring May 18, 2006
- 195,652 shares with resale restrictions expiring May 18, 2007
- 195,652 shares with resale restrictions expiring May 18, 2008

d) Stock option plan

The Company has established a stock option plan for its directors, executive officers, employees, and other key personnel. The Board of Directors may designate which directors, officers, employees, and other key personnel of the Company are to be granted options. The expiry date and price payable upon the exercise of any option granted are fixed by the Board of Directors at the time of grant, subject to regulatory requirements. An option granted under the stock option plan may vest at such times as the Board of Directors of the Company may determine at the time of granting, subject to the rules of any stock exchange or other regulatory body having jurisdiction. Options are not assignable. Provision is made for accelerated vesting in certain circumstances and early termination in the event of death or cessation of employment.

As of September 30, 2005, the Board of Directors was authorized to grant options for up to 1,327,468 common shares of which 1,087,567 options had been granted (September 30, 2004 – 1,263,067). The exercise price of each option equals the market price of the Company's common shares on the last business day prior to the date of grant and an option's maximum term is five years. Options are vested with one third becoming exercisable after 12 months of the grant date and two thirds after 24 months. The options become fully exercisable after 36 months. A summary of the status of the Company's stock option plan for the periods presented and changes during the periods ended on those dates follows.

e) Options to employees and directors

September 30, 2005	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,263,067	$ 2.09
Granted	121,500	2.61
Cancelled	(279,600)	2.07
Exercised	(17,400)	2.00
Outstanding, end of year	1,087,567	$ 2.15
Options exercisable, end of year	607,045	$ 2.07

12. Share capital (cont'd)

e) Options to employees and directors (cont'd)

September 30, 2004

	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,161,600	$ 2.04
Granted	222,500	2.35
Cancelled	(115,034)	2.07
Exercised	(5,999)	2.00
Outstanding, end of year	1,263,067	$ 2.09
Options exercisable, end of year	370,519	$ 2.05

The following tables summarize the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of stock options outstanding as at September 30, 2005 and 2004.

September 30, 2005

Weighted average exercise price	Number outstanding at September 30, 2005	Weighted average remaining contractual life (years)
$ 2.00	684,567	2.0
2.25	169,000	2.9
2.25	3,000	3.0
2.25	65,000	3.1
2.50	65,000	4.4
2.58	45,000	4.7
2.60	46,000	4.0
3.50	10,000	4.9

12. Share capital (cont'd)

e) Options to employees and directors (cont'd)
September 30, 2004

Weighted average exercise price	Number outstanding at September 30, 2004	Weighted average remaining contractual life (years)
$ 2.00	901,567	3.0
2.25	169,000	3.9
2.25	3,000	4.2
2.25	70,000	0.6
2.25	65,000	4.2
2.60	53,000	4.9
2.90	1,500	5.0

f) Options to agents
September 30, 2005

	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	-	$ -
Granted	393,820	2.48
Exercised	(25,000)	2.00
Outstanding, end of year	368,820	$ 2.51
Options exercisable, end of year	368,820	$ 2.51

The following tables summarize the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life at of stock options to agents outstanding as at September 30, 2005.

September 30, 2005

Weighted average exercise price	Number outstanding at September 30, 2005	Weighted average remaining contractual life (years)
$2.00	82,570	2.0
2.00	12,530	2.0
2.70	240,000	1.2
2.70	28,720	1.2

13. Contributed surplus

	2005
Balance, beginning of year, as previously stated	$ -
Appropriated from retained earnings (Note 3)	736,485
As restated	736,485
Agent's options and compensation options	200,843
Stock based compensation expense	141,442
Stock options exercised	(29,896)
Balance, end of year	$ 1,048,874

14. Stock based compensation

For stock options granted to employees and directors after October 1, 2002, the Company records compensation expense using the fair value method as outlined in Note 2 to the financial statements. The fair value of common shares is determined at the grant date using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to stock based compensation expense and contributed surplus. When options are exercised, the fair value amount in contributed surplus is credited to share capital.

The Company recorded stock based compensation expense and a corresponding increase in contributed surplus in the amount of $141,442 for the year ending September 30, 2005.

Disclosure of the impact on earnings and earnings per share, as if the fair value based method of accounting for stock based compensation had been applied for the comparative period ended September 30, 2004 is as follows:

	2004
Net earnings for the year as reported	$ 1,442,670
Pro forma current year compensation cost	225,865
Pro forma net earnings for the year	$ 1,216,805
Basic earnings per share as reported	$ 0.16
Pro forma basic earnings per share as reported	$ 0.14
Diluted earnings per share	$ 0.14
Pro forma diluted earnings per share	$ 0.12

14. Stock based compensation (cont'd)

The significant assumptions made in the calculation of the weighted average fair value of the options are as follows:

	2005	2004
Risk-free interest rate	**3.3% to 3.9%**	4.0%
Expected life	**5 years**	5 years
Expected volatility	**34% to 36%**	37%
Expected dividend yield	**nil**	nil
Weighted average fair value per option	**$0.94**	$0.92

15. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	2005	2004
Numerator for basic and diluted earnings per share (Net earnings attributable to common shareholders)	**$ 3,799,367**	$ 1,442,670
Denominator:		
Weighted average number of common shares	**11,501,484**	8,835,932
Denominator for basic earnings per share	**11,501,484**	8,835,932
Dilutive effect of outstanding warrants and stock options	**488,652**	688,948
Preferred shares convertible to common shares	**808,418**	983,760
Denominator for diluted earnings per share	**12,798,554**	10,508,640
Basic earnings per share	**$ 0.33**	$ 0.16
Dilutive effect of outstanding warrants and stock options	**(0.01)**	(0.01)
Preferred shares converted to common shares	**(0.02)**	(0.01)
Diluted earnings per share	**$ 0.30**	$ 0.14

16. Supplemental cash flow information

	2005	2004
Change in non-cash operating working capital:		
Receivables	**$ (4,061,268)**	$ 677,114
Inventory	**(1,596,316)**	(1,210,754)
Prepaids	**(72,856)**	(29,186)
Payables and accruals	**1,692,517**	(943,963)
Income taxes payable	**316,402**	288,555
	$ (3,721,521)	$ (1,218,234)
Interest and income taxes paid:		
Interest paid	**$ 1,261,593**	$ 1,151,086
Income taxes paid	**$ 286,223**	$ 215,690

Acquisitions in the year ended September 30, 2005:

	Impact (Note 4)	Prior Acquisition	Total
Assets			
Cash	$ 707,462	$ -	$ 707,462
Receivables	2,597,940	-	2,597,940
Inventory	1,048,891	-	1,048,891
Prepaids	15,033	-	15,033
Property and equipment	167,338	-	167,338
Intangibles	1,338,000	-	1,338,000
Goodwill	3,577,756	454,970	4,032,726
	9,452,420	454,970	9,907,390
Liabilities			
Payable and accruals	2,823,083	-	2,823,083
Income taxes	53,526	-	53,526
	2,876,609	-	2,876,609
Net assets acquired	$ 6,575,811	$ 454,970	$ 7,030,781
Consideration through share issuance not affecting cash			(1,811,935)
Cash acquired			(707,462)
Cash paid on acquisitions			$ 4,511,384

17. Income taxes

	2005	2004
Major components of income tax expense are as follows:		
Current tax expense	**$ 1,116,977**	$ 504,245
Future tax expense	**802,815**	441,730
	$ 1,919,792	$ 945,975

Income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective years' earnings before income taxes. These differences result from the following items:

	2005	2004
Expected income tax expense at 33.62% (2004 - 34.59%)	**$ 1,922,781**	$ 826,173
Increase (decrease) resulting from:		
Tax rate differential	**18,679**	26,684
Non-deductible expenses	**94,474**	37,440
Loss carryforwards expired	**-**	46,161
Temporary timing differences		
Provincial capital tax	**11,670**	-
Other	**(39,405)**	9,517
Change in valuation allowance	**(88,407)**	-
	$ 1,919,792	$ 945,975

At the time of acquisition of Impact (Note 4), intangible assets were recognized.

A valuation allowance is recognized to the extent the recoverability of future tax assets is not considered more likely than not.

17. Income taxes (cont'd)

Temporary differences

The tax effects of temporary differences that give rise to the Company's future tax assets (liabilities) are as follows:

	2005	2004
Loss carryforwards	**$ 661,828**	$ 1,446,137
Financing costs	**466,329**	214,460
Intangibles	**(407,717)**	-
Exploration expenses	**56,626**	63,328
Other	**38,151**	-
Capital assets - excess of undepreciated capital cost over net book value	**(35,101)**	35,414
Reserves	**33,620**	120,439
Valuations allowance	**-**	(88,407)
Net future tax asset	**$ 813,736**	$ 1,791,371

At September 30, 2005, the Company has non-capital losses available for carry-forward of $1,904,675 (2004 - $4,030,965). Which will begin to expire in 2009. For financial reporting purposes a future tax asset has been reorganized in respect of these carryforwards.

	Income Tax Losses
2009	$ 196,797
2010	967,393
2011	665,577
	$ 1,829,767

18. Related party transactions

During the year, the Company entered into the following related party transactions:

a) Legal fees of $363,840 (2004 - $254,272) were paid to a company of which a director is a partner. Of this amount, $37,305 (2004 - $33,349) is included in accounts payable.

b) Management, office sharing, accounting and corporate compliance fees of $120,000 (2004 - $157,500) were paid to a company over which a director has significant influence. Of this amount, $nil (2004 - $10,000) is included in accounts payable.

c) Rent in the amount of $nil (2004 - $92,300) was paid to a company over which a director has significant influence.

d) General and administrative expenses for website and domain hosting services of $66,083 (2004 - $96,211) were paid to a software development company over which a director has significant influence (2004 – two software development companies with three common directors). Of this amount, $38,253 (2004 - $nil) is included in accounts payable.

e) The Company paid consulting fees of $230,000 (2004 - $210,000) to a company over which a director has significant influence. Of this amount, $80,000 (2004 - $60,000) is included in accounts payable.

f) The Company paid directors' fees of $16,659 (2004 - $nil) to two of its directors.

In management's opinion, these transactions are all in the normal course of operations and are conducted at fair market value.

19. Commitments and contingencies

a) Commitments

(i) On September 20, 2004, the Company entered into a letter of intent to sell its land and building in Prince Albert, Saskatchewan. If the sale is completed, it will result in an immaterial gain, after selling costs. The Company no longer maintains its branch operations in the facility. The Company continues to operate a branch in the City of Prince Albert, but has chosen to lease an alternate facility.

19. Commitments and contingencies (cont'd)

(ii) Under various lease agreements, the Company will be required to make annual lease payments. Future minimum lease payments under the capital and operating leases are as follows:

	Capital Leases	Premises Leases
2006	$ 2,624	$ 1,358,655
2007	1,324	1,210,186
2008	-	1,034,157
2009	-	864,846
2010	-	769,847
	$ 3,948	$ 5,237,691

Net minimum lease payments	$ 3,948
Less: amount representing interest bearing interest at 8.6%	360
Present value of net minimum lease payments	3,588
Less: amounts due within one year	2,311
Balance of obligation	$ 1,277

b) Contingencies:

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters are uncertain and there are no assurance that such matters will be resolved in the Company's favour, the Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material adverse impact on its financial position, results of operations or liquidity.

(i) On March 22, 2004, the Company terminated the employment of its President and CEO, Ron Gibbon. The Company offered Mr. Gibbon as a severance package to continue his current salary and benefit payments each month until March 22, 2006. The monthly payments amount to approximately $17,000 per month. This proposed severance arrangement was in lieu of notice of termination and/or severance pay under applicable employment standards or other legislation or at common law, and is intended to be in full satisfaction of any and all claims which Mr. Gibbon may have arising out of his employment or its termination.

Mr. Gibbon rejected the offer by the Company and on June 24, 2004 filed a statement of claim for $750,000 citing wrongful dismissal. As at September 30, 2005, the Company has paid Mr. Gibbon salary continuance of $300,000 and accrued for an additional $100,000. These two amounts represent the full $400,000 severance and termination package offered by the Company. Management believes that its offer to Mr. Gibbon is at the high end of severance and termination settlements traditionally awarded given the circumstances with Mr. Gibbon.

19. Commitments and contingencies (cont'd)

(ii) In the normal course of business, the Company enters into agreements that include indemnities in favour of third parties, such as engagement letters with advisors and consultants, distribution and service agreements. The Company has also agreed to indemnify its directors and certain of its officers and employees in accordance with the company's bylaws. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities. In certain cases, the Company has recourse against third parties with respect to these indemnities. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

(iii) There are potential future adjustments to the purchase prices for a previous acquisition made by the Company and the acquisition of Impact Oilfield Supply Inc. ("Impact"). For the previous acquisition, the purchase price shall be subject to future adjustments based on pre-tax net earnings of the acquired company until April 30, 2006. For Impact, the purchase price shall be subject to future adjustments based on pre-tax net earnings of Impact until April 30, 2008. In accordance with Canadian generally accepted accounting principles, future contingent consideration is not recognized as part of the cost of the purchase until the consideration is earned as the outcome cannot be determined beyond a reasonable doubt at the time of the acquisition.

20. Segmented information

The Company operates two business segments in Canada: (i) the distribution of industrial supplies; and (ii) the distribution of oilfield parts and supplies.

The following tables present information about reportable segment profit and assets:

September 30, 2005

	Industrial Supplies	Oilfield Parts and Supplies	Intersegment Transactions	Consolidated
Revenue	$ 73,614,135	$24,628,067	$ (412,891)	$ 97,829,311
Segment profit	$ 4,126,215	$ 5,344,493	$ (82,578)	$ 9,388,129
General corporate expenses				1,861,528
Amortization				545,849
Interest expense				1,261,593
Income taxes				1,919,792
Consolidated net earnings				$ 3,799,367
Identifiable assets	$ 26,818,271	$11,743,446	$ (82,700)	$ 38,479,017
Corporate assets				13,489,050
Total assets				$ 51,968,067
Capital expenditures	$ 636,142	$ 179,263		$ 815,405
Amortization of property and equipment	$ 374,722	$ 54,696		$ 429,418

20. Segmented information (cont'd)

September 30, 2004

	Industrial Supplies	Oilfield Parts and Supplies	Intersegment Transactions	Consolidated
Revenue	$ 66,413,245	$ 11,916,476	$ (216,852)	$78,112,869
Segment profit	$ 3,403,216	$ 2,338,270		$ 5,741,486
General corporate expenses				1,722,545
Amortization				422,459
Interest expense				1,207,837
Income taxes				945,975
Consolidated net earnings				$ 1,442,670
Identifiable assets	$ 24,054,389	$ 4,646,321	$ (177,415)	$28,523,295
Corporate assets				8,951,107
Total assets				$37,474,402
Capital expenditures	$ 780,059	$ 18,403		$ 798,462
Amortization of property and equipment	$ 385,317	$ 37,142		$ 422,459

21. Risk management

Interest rate risk

The Company has floating rate debt, which is subject to interest rate cash flow risk. The required cash flow to service the debt will fluctuate as a result of the changes in market rates. The related disclosures regarding floating rate debt are found in Notes 8, 9 and 10 to these consolidated financial statements.

21. Risk management (cont'd)

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and be unable to fulfill their obligations. Revenue from the Company's largest customer in fiscal 2005 accounted for approximately $11,249,000 or 11.50% (2004 – $8,268,000 or 10.59%) of total revenue during the current fiscal year and comprised $2,927,591 or 16.00% (2004 – $2,072,000 or 17.74%) of accounts receivable at September 30, 2005.

The Company manages its credit risk through the credit application process and through the setting of credit limits.

Foreign currency risk

The Company has cash and accounts payable and accrued liabilities denominated in foreign currencies, and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative financial instruments to reduce its exposure to foreign currency risk. The Company recognized a foreign exchange gain of $474,593 (2004 - $223,057) during the current fiscal year that was included within cost of goods sold.

Fair value of financial instruments

The carrying value of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their fair value because of the near term maturity of these instruments. The fair value of the notes payable and the long term debt obligations are estimated based on current rates available to the Company for similar debt of the same remaining maturities. The estimated fair value of the notes payable and long term debt as at September 30, 2005 is $8,831,309 (2004 - $8,314,364). These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible.

22. Comparative figures

Certain balances in the prior year have been reclassified to conform to the current year's presentation.

23. Subsequent events

i) On November 10, 2005, the Company graduated to the Toronto Stock Exchange after de-listing from the TSX Venture Exchange.

ii) On October 3, 2005, the Company issued 4,133 shares upon the exercise of employee stock options with a fair value of $2,852. The consideration received upon exercise was $8,266.

iii) On November 8, 2005, the Company issued 45,000 shares upon the exercise of employee stock options with a fair value of $31,050. The consideration received upon exercise is $90,000.

iv) On December 20, 2005, the Company issued 87,570 shares upon the exercise of agent options with a fair value of $48,164. The consideration received upon exercise is $175,140.

Corporate Information

Directors & Officers

Jim Barker
President, Chairman & Director
Edmonton, Alberta

Eric Sauze, CA CFA
Chief Financial Officer
Edmonton, Alberta

Dr. Ken Harrison
Director
Edmonton, Alberta

Richard Smith
Director
Calgary, Alberta

Stephen Kent
Director
Edmonton, Alberta

Don Caron
Secretary and Director
Edmonton, Alberta

Bill Rosser
Director
Edmonton, Alberta

Corporate Office

4203 - 95 Street
Edmonton, Alberta T6E 5R6
Ph.: (780) 432-1611
Fax: (780) 462-0807

Auditors

Grant Thornton LLP
1401 Scotia Place 2
10060 Jasper Avenue
Edmonton, Alberta T5J 3R8

Shares Listed

TSX Stock Exchange
Trading Symbol – "CSA"

Bankers

Bank of Montreal
10199 – 101 Street
Edmonton, Alberta T5J 3Y4

Transfer Agent

Computershare Trust Company of Canada
600, 530 - 8th Avenue SW
Calgary, AB
T2P 3S8

Investor Relations

Genoa Management Limited
John Sadler
(416) 962-3300 ext. 227
jsadler@genoa.ca
or
Ali Mahdavi
(416) 962-3300 ext. 225
amahdavi@genoa.ca

Share Capital

Issued: 14,416,116 common shares
Issued: 483,760 preferred shares

Web Site: www.csinet.ca

BRANCH LOCATIONS

1: Calgary AB
2: Drayton Valley AB
3: Edmonton AB (2)
4: Fort McMurray AB
5: Fort Saskatchewan AB
6: Grande Prairie AB
7: Hudson Bay SK
8: Lloydminster AB
9: Medicine Hat AB
10: Mississauga ON
11: Nipawin SK
12: Nisku AB (2)
13: North Battleford SK
14: Pointe Claire PQ
15: Prince Albert SK
16: Prince George BC
17: Red Deer AB
18: Rocky Mountain House AB
19: Saskatoon SK
20: Vancouver BC
21: Regina SK

Divisions

Commercial bearing service (1966) ltd.

For over 50 years, Commercial bearing service has supplied bearing, belt, seals and power transmission products to a variety of industries.

Nisku Safety Supply

Established in 1987, this division not only supplies safety related products, but also training, on site assessments, inventory controls and a complete assortment of rental products.

Canadian Forestry Equipment
NCI Neville Crosby

For over 30 years, CFE has supplied surveying and silviculture products for use in forestry, mining, environmental sciences and surveying.

AIM Supply

Established in 1911, this division provides agricultural and industrial supplies.

Cando Oilfield Supplies & Rentals Ltd.

For the past 30 years, this distributor, importer and manufacturer of oilfield supplies has been specializing in hard-to-find and custom rig parts and products.

Impact is an Alberta based resource supply company that procures and distributes consumable oilfield supplies to the contract drilling and well servicing industry. Principle products distributed by Impact are chain-drives, drilling equipment & supplies, mud pumps; oil well drilling equipment; safety equipment, and valves and fittings